

HASTINGS AREA SCHOOL SYSTEM  
FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION  
JUNE 30, 2008

# Hastings Area School System

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## Hastings Area School System

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## INDEPENDENT AUDITOR'S REPORT

Board of Education  
Hastings Area School System, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hastings Area School System's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis and budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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Board of Education  
Hastings Area School System

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hastings Area School System's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2008, on our consideration of Hastings Area School System's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman E. Puckett, P.C.*

October 29, 2008

# HASTINGS AREA SCHOOL SYSTEM

## ADMINISTRATION'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2008

This section of Hastings Area School System's annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

### **Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Hastings Area School System financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Capital Projects Fund and the Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students, parents and other programs.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

### **Basic Financial Statements**

*District-wide Financial Statement*

*Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

### **Reporting the School District as a whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## HASTINGS AREA SCHOOL SYSTEM

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

#### **Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

# HASTINGS AREA SCHOOL SYSTEM

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

### The School District as Trustee - Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its agency funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I	June 30,	
	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current and other assets	\$ 9,500,684	\$ 10,136,071
Capital assets - Net of accumulated depreciation	32,421,653	32,200,805
Other noncurrent assets	<u>143,565</u>	<u>154,329</u>
Total assets	42,065,902	42,491,205
<b>Liabilities</b>		
Current liabilities	9,758,080	9,041,470
Long-term liabilities	<u>25,113,702</u>	<u>26,853,561</u>
Total liabilities	34,871,782	35,895,031
<b>Net Assets</b>		
Invested in property and equipment - net of related debt	5,771,673	5,266,222
Restricted for debt service	952,296	984,045
Unrestricted	<u>470,151</u>	<u>345,907</u>
Total net assets	<u>\$ 7,194,120</u>	<u>\$ 6,596,174</u>



# HASTINGS AREA SCHOOL SYSTEM

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$7,194,120 at June 30, 2008. Capital assets, net of related debt totaling \$5,771,673 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$470,151 was unrestricted.

The \$470,151 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

	Year Ended June 30,	
	<u>2008</u>	<u>2007</u>
Revenue		
Program revenue:		
Charges for services	\$ 1,229,292	\$ 1,227,258
Grants and categoricals	3,203,074	3,103,149
General revenue:		
Property taxes	5,538,153	5,783,055
State foundation allowance	18,817,886	19,253,133
Interest and investment earnings	140,420	182,000
Gain on sale of capital assets	-	4,412
Capital donations	881,546	-
Other	<u>231,792</u>	<u>124,157</u>
Total revenue	30,042,163	29,677,164

# HASTINGS AREA SCHOOL SYSTEM

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

Function/Program Expenses	Year Ended June 30,	
	2008	2007
Instruction	16,592,155	16,986,164
Support services	7,649,787	8,029,608
Food services	935,598	901,969
Athletics	390,659	406,307
Community services	593,787	627,016
Interest on long-term debt	1,451,912	1,248,078
Depreciation (unallocated)	<u>1,830,319</u>	<u>1,486,566</u>
Total expenses	<u>29,444,217</u>	<u>29,685,708</u>
Change in net assets	<u>\$ 597,946</u>	<u>\$ (8,544)</u>

As reported in the statement of activities, the cost of all governmental activities this year was \$29,444,217. Certain activities were partially funded from those who benefited from the programs \$(1,229,292) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(3,203,074). We paid for the remaining "public benefit" portion of our governmental activities with \$5,538,153 in taxes, \$18,817,886 in State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$597,946. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term obligations. The increase in net assets differs from the change in fund balance and a reconciliation appears on page 16.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

### The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

HASTINGS AREA SCHOOL SYSTEM

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008

As the School District completed this year, the governmental funds reported a combined fund balance of \$1,698,351, which is a decrease of \$1,210,468 from last year.

In the General Fund, our primary operating fund, the fund balance increased \$13,405 to \$391,867. The General Fund fund balance has been reserved for inventories - \$37,467; designated for future projects - \$100,000; and undesignated - \$254,400.

In the Capital Projects Fund the fund balance decreased \$1,166,850 to \$-0-. This was the result of proceeds from donations of \$881,546 less capital outlay costs incurred through the year end.

Our Debt Service Fund reflected a fund balance decrease of \$40,749 and ended the year at \$1,133,296. Millage rates are determined annually to ensure that the School District accumulates sufficient resources to pay annual bond issue-related debt service. Debt Service Fund fund balance is reserved since it can only be used to pay debt service obligations.

Our Food Service Fund fund balance decreased \$15,835 to \$169,218.

Our Athletics Fund is maintained at a zero fund balance and was supported by an operating transfer from the General Fund of \$243,096.

Our Community Center Fund fund balance decreased \$439 to \$3,970 and was supported by an operating transfer from the General Fund of \$71,525.

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$898,569, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$108,399 of the final budgeted revenues or 0.4 percent.

Budgeted expenditures were increased \$599,631 to better reflect expenditures funded by increased revenues. Actual expenditures ended the year under the final budget by \$4,377 or 0.0 percent.

# HASTINGS AREA SCHOOL SYSTEM

## ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED JUNE 30, 2008

### Capital Asset and Debt Administration

#### Capital Assets

At June 30, 2008, the School District had \$53,975,232 invested in a broad range of capital assets, including land, buildings, buses and furniture and equipment. This amount represents a net increase (including additions and disposals) of \$1,891,907, or 3.6 percent, from last year. The majority of this increase was building construction projects funded out of the Capital Projects Fund.

	<u>2008</u>	<u>2007</u>
Land	\$ 253,410	\$ 253,410
Buildings and improvements	46,067,009	43,102,127
Buses and other vehicles	1,899,518	2,058,778
Furniture and equipment	5,755,295	5,755,295
Construction in progress	<u>-</u>	<u>913,715</u>
Total capital assets	53,975,232	52,083,325
Less accumulated depreciation	<u>21,553,579</u>	<u>19,882,520</u>
Net capital assets	<u>\$ 32,421,653</u>	<u>\$ 32,200,805</u>

#### Debt

At the end of this year, the School District had \$24,648,037 in bonds outstanding versus \$26,075,660 in the previous year - a change of 5.5 percent. (More detailed information about the District's long-term liabilities is presented in Note 9 to the financial statements.)

At the end of this year the School District had \$2,145,508 in notes payable outstanding versus \$2,180,102 in the previous year. During the year the School District paid \$34,594 against principal.

At the end of this year the School District had employee severance pay agreements outstanding of \$94,904 versus \$222,017 in the previous year. During the year the School District made payments totaling \$127,113.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

HASTINGS AREA SCHOOL SYSTEM

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED JUNE 30, 2008

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 232 West Grand Street, Hastings, Michigan 49058.

HASTINGS AREA SCHOOL SYSTEM

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 5,635,547
Accounts receivable	75,167
Taxes receivable (net)	-
Due from other governmental units	3,731,807
Prepaid expense	-
Inventories	<u>58,163</u>
Total current assets	9,500,684
Noncurrent Assets:	
Capital assets	53,975,232
Less: accumulated depreciation	<u>21,553,579</u>
Net capital assets	32,421,653
Issuance cost for bonds, net	<u>143,565</u>
Total noncurrent assets	<u>32,565,218</u>
Total assets	42,065,902
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term note payable	4,995,000
Accounts payable	225,948
Accrued payroll	1,586,016
Accrued benefits	793,048
Accrued interest	364,816
Deferred revenue	18,505
Accrued severance pay	62,256
Notes payable, due within one year	153,376
Bonds payable, due within one year	<u>1,559,115</u>
Total current liabilities	9,758,080
Noncurrent Liabilities:	
Accrued severance pay	32,648
Notes payable	1,992,132
Bonds payable, net	<u>23,088,922</u>
Total noncurrent liabilities	<u>25,113,702</u>
Total liabilities	34,871,782
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	5,771,673
Restricted for debt service	952,296
Unrestricted	<u>470,151</u>
Total net assets	<u>\$ 7,194,120</u>

See Notes to Financial Statements

HASTINGS AREA SCHOOL SYSTEM

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>		<u>Governmental Activities</u>
				Net (Expense)
		Charges for	Operating	Revenue and
<u>Expenses</u>		<u>Services</u>	<u>Grants/ Contributions</u>	<u>Changes in Net Assets</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 16,592,155	\$ 4,215	\$ 2,469,896	\$ (14,118,044)
Support services	7,649,787	130,919	250,786	(7,268,082)
Food services	935,598	437,371	482,392	(15,835)
Athletics	390,659	147,563	-	(243,096)
Community services	593,787	509,224	-	(84,563)
Interest on long-term debt	1,451,912	-	-	(1,451,912)
Depreciation (unallocated)	<u>1,830,319</u>	<u>-</u>	<u>-</u>	<u>(1,830,319)</u>
Total Governmental activities	<u>\$ 29,444,217</u>	<u>\$ 1,229,292</u>	<u>\$ 3,203,074</u>	(25,011,851)
General revenues:				
Taxes				
Property taxes, levied for general operations				3,017,626
Property taxes, levied for debt service				2,520,527
State aid not restricted to specific purposes				18,817,886
Interest and investment earnings				140,420
Capital donations				881,546
Other				<u>231,792</u>
Total general revenues				<u>25,609,797</u>
Change in Net Assets				597,946
Net Assets - Beginning of year				<u>6,596,174</u>
Net Assets - End of year				<u>\$ 7,194,120</u>

See Notes to Financial Statements

HASTINGS AREA SCHOOL SYSTEM

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,341,540	\$ -	\$ 1,133,296
Accounts receivable	71,500	-	-
Due from other governmental units	3,731,807	-	-
Due from other funds	-	-	-
Prepaid expenditure	-	-	-
Inventories	<u>37,467</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 8,182,314</u>	<u>\$ -</u>	<u>\$ 1,133,296</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Short-term note payable	\$ 4,995,000	\$ -	\$ -
Accounts payable	168,013	-	-
Accrued payroll	1,586,016	-	-
Accrued benefits	793,048	-	-
Due to other funds	51,769	-	-
Accrued interest	183,816	-	-
Deferred revenue	<u>12,785</u>	<u>-</u>	<u>-</u>
Total liabilities	7,790,447	-	-
Fund Balances:			
Reserved:			
Inventories	37,467	-	-
Debt service	-	-	1,133,296
Capital projects	-	-	-
Unreserved:			
Designated for future projects	100,000	-	-
Undesignated	<u>254,400</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>391,867</u>	<u>-</u>	<u>1,133,296</u>
Total liabilities and fund balances	<u>\$ 8,182,314</u>	<u>\$ -</u>	<u>\$ 1,133,296</u>

See Notes to Financial Statements



Other Nonmajor Governmental Funds	Total
\$ 160,711	\$ 5,635,547
3,667	75,167
-	3,731,807
51,769	51,769
-	-
20,696	58,163
<u>\$ 236,843</u>	<u>\$ 9,552,453</u>

\$ -	\$ 4,995,000
57,935	225,948
-	1,586,016
-	793,048
-	51,769
-	183,816
5,720	18,505
<u>5,720</u>	<u>18,505</u>

63,655 7,854,102

20,696	58,163
-	1,133,296
-	-
-	100,000
<u>152,492</u>	<u>406,892</u>

<u>173,188</u>	<u>1,698,351</u>
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<u>\$ 236,843</u>	<u>\$ 9,552,453</u>
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HASTINGS AREA SCHOOL SYSTEM

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total Fund Balances - Governmental Funds \$ 1,698,351

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds.

The cost of the capital assets is 53,975,232

Accumulated depreciation is (21,553,579)

Total 32,421,653

Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Accrued severance pay (94,904)

Notes payable (2,145,508)

Bonds payable, net (24,648,037)

Issuance cost for bonds, net 143,565

Accrued interest payable on long-term liabilities is not  
included as a liability in governmental activities (181,000)

Net assets of governmental activities \$ 7,194,120

See Notes to Financial Statements

HASTINGS AREA SCHOOL SYSTEM

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Revenues:			
Local sources	\$ 3,505,630	\$ 884,318	\$ 2,565,368
State sources	20,231,272	-	-
Federal sources	786,035	-	-
Interdistrict	<u>521,260</u>	<u>-</u>	<u>-</u>
Total revenues	25,044,197	884,318	2,565,368
Expenditures:			
Instruction	16,719,268	-	-
Supporting services	7,649,787	-	-
Food service	-	-	-
Athletics	-	-	-
Community services	40,869	-	-
Capital outlay	-	2,051,168	-
Debt service			
Principal retirement	34,594	-	1,460,000
Interest and fiscal charges	<u>271,653</u>	<u>-</u>	<u>1,146,117</u>
Total expenditures	<u>24,716,171</u>	<u>2,051,168</u>	<u>2,606,117</u>
Excess (deficiency) of revenues over expenditures	328,026	(1,166,850)	(40,749)
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	<u>(314,621)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(314,621)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	13,405	(1,166,850)	(40,749)
Fund balances, July 1	<u>378,462</u>	<u>1,166,850</u>	<u>1,174,045</u>
Fund balances, June 30	<u>\$ 391,867</u>	<u>\$ -</u>	<u>\$ 1,133,296</u>

See Notes to Financial Statements

Other Nonmajor Governmental Funds	Total
\$ 1,065,888	\$ 8,021,204
36,494	20,267,766
445,898	1,231,933
<u>-</u>	<u>521,260</u>
1,548,280	30,042,163
-	16,719,268
-	7,649,787
935,598	935,598
390,659	390,659
552,918	593,787
-	2,051,168
-	1,494,594
<u>-</u>	<u>1,417,770</u>
<u>1,879,175</u>	<u>31,252,631</u>
(330,895)	(1,210,468)
314,621	314,621
<u>-</u>	<u>(314,621)</u>
<u>314,621</u>	<u>-</u>
(16,274)	(1,210,468)
<u>189,462</u>	<u>2,908,819</u>
<u>\$ 173,188</u>	<u>\$ 1,698,351</u>

HASTINGS AREA SCHOOL SYSTEM

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Net change in Fund Balances - Total Governmental Funds                      \$ (1,210,468)

Amounts reported for governmental activities in the  
statement of activities are different because:

Governmental funds report capital outlays as  
expenditures; in the statement of activities,  
these costs are allocated over their estimated  
useful lives as depreciation.

Depreciation expense	(1,830,319)
Capital outlay	2,051,167

Accrued interest on bonds is recorded in the statement  
of activities when incurred; it is not reported in  
governmental funds until paid:

Accrued interest payable beginning of the year	190,000
Accrued interest payable end of the year	(181,000)

Repayments of principal on long-term debt and issuance  
costs are expenditures in the governmental funds,  
but not in the statement of activities (where it is  
a reduction of liabilities).

Repayment of principal on long-term debt	1,494,594
Amortization of bond discounts	(2,103)
Amortization of bond premiums	18,100
Amortization of loss on bond refunding	(48,374)
Amortization of bond issuance costs	(10,764)

Accrued severance pay is reported on the accrual method  
in the statement of activities, and recorded as an  
expenditure when financial resources are used in the  
governmental funds.

Accrued voluntary severance plan beginning of year	222,017
Accrued voluntary severance plan end of year	<u>(94,904)</u>

Change in Net Assets of Governmental Activities	<u>\$ 597,946</u>
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See Notes to Financial Statements

HASTINGS AREA SCHOOL SYSTEM  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	<u>Agency Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 292,667
Investments	603,577
Accounts receivable	<u>6,495</u>
Total assets	<u>\$ 902,739</u>
<u>LIABILITIES</u>	
Due to school related organizations	<u>\$ 902,739</u>

See Notes to Financial Statements

HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Hastings Area School System conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

HASTINGS AREA SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.



HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Debt Service Fund is used to record tax, interest, and other revenue for payment of principle, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Food Services Fund, Athletic Fund, and Community Center Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

HASTINGS AREA SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**Fund equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the district's financial statements.

**Use of Estimates** - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year ended June 30, 2008, the District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General Fund			
Supporting services	\$ 7,620,600	\$ 7,649,787	\$ 29,187

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 5,635,547</u>	<u>\$ 292,667</u>	<u>\$ 5,928,214</u>

HASTINGS AREA SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

**NOTE 3 - CASH AND CASH EQUIVALENTS - Continued**

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$6,359,603. Of that amount, \$552,460 was covered by federal depository insurance coverage or secured and \$3,230,992 was uninsured and uncollateralized. The balance of \$2,576,151 was invested in bank municipal investment funds which are not categorized by risk.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - INVESTMENTS**

Michigan Public Acts 217 and 367 of 1982 authorize school districts to invest surplus monies in U.S. bonds and notes, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, U.S. Government repurchase agreements, bankers acceptances, mutual funds, and government pools that are composed of authorized investments.

The School District's investments at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
U.S. Government Agency Bonds	\$ -	\$ 327,250	\$ 327,250
Common and preferred stocks	-	58,759	58,759
Money Market	-	217,568	217,568
	<u>\$ -</u>	<u>\$ 603,577</u>	<u>\$ 603,577</u>

The School District's investments are classified by risk level as investments that are uninsured and unregistered held by the counterparty's trust department or agent in the School District's name.

HASTINGS AREA SCHOOL SYSTEM

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 5 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$18,505.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2008</u>
Assets not being depreciated - Land	\$ 253,410	\$ -	\$ -	\$ 253,410
Capital assets being depreciated:				
Buildings and building improvements	43,102,127	2,964,882	-	46,067,009
Buses and other vehicles	2,058,778	-	159,260	1,899,518
Furniture and equipment	5,755,295	-	-	5,755,295
Construction in progress	<u>913,715</u>	<u>2,051,167</u>	<u>2,964,882</u>	<u>-</u>
Subtotal	51,829,915	5,016,049	3,124,142	53,721,822
Accumulated depreciation:				
Buildings and building improvements	14,348,399	1,164,235	-	15,512,634
Buses and other vehicles	1,467,150	236,651	159,260	1,544,541
Furniture and equipment	<u>4,066,971</u>	<u>429,433</u>	<u>-</u>	<u>4,496,404</u>
Subtotal	<u>19,882,520</u>	<u>1,830,319</u>	<u>159,260</u>	<u>21,553,579</u>
Net capital assets being depreciated	<u>31,947,395</u>			<u>32,168,243</u>
Net capital assets	<u>\$ 32,200,805</u>			<u>\$ 32,421,653</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

HASTINGS AREA SCHOOL SYSTEM  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2008

**NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
Other governmental funds	General Fund	<u>\$ 51,769</u>
Interfund Transfers:		
		Transfer Out:
		General Fund
Transfer in:		
Other governmental funds		<u>\$ 314,621</u>

**NOTE 8 - SHORT-TERM NOTE PAYABLE**

Short-term note payable, Michigan Municipal Bond Authority, due August 20, 2008, interest at 3.68%	<u>\$ 4,995,000</u>
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**NOTE 9 - LONG-TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include accumulated severance pay.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds, net	\$26,075,660	\$ -	\$ 1,427,623	\$24,648,037	<u>\$1,559,115</u>
Notes	2,180,102	-	34,594	2,145,508	<u>\$ 153,376</u>
Other Obligations	<u>222,017</u>	<u>-</u>	<u>127,113</u>	<u>94,904</u>	<u>\$ 62,256</u>
Totals	<u>\$28,477,779</u>	<u>\$ -</u>	<u>\$ 1,589,330</u>	<u>\$26,888,449</u>	

HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 9 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,712,491	\$ 1,200,319	\$ 2,912,810
2010	1,769,216	1,126,980	2,896,196
2011	1,804,367	1,050,269	2,854,636
2012	1,888,219	976,881	2,865,100
2013	2,054,394	901,777	2,956,171
Thereafter	<u>17,833,052</u>	<u>5,545,624</u>	<u>23,378,676</u>
	<u>\$27,061,739</u>	<u>\$10,801,850</u>	<u>\$37,863,589</u>

Governmental Activities:

General obligation bonds consist of:

\$4,020,000 2004 Refunding Bonds due in annual installments of \$35,000 to \$1,020,000 through May 1, 2010; interest from 3.00% to 5.00%	\$ 1,025,000
\$7,340,000 1998 Refunding Bonds due in annual installments of \$35,000 to \$775,000 through May 1, 2018; interest from 3.40% to 4.50%	6,955,000
\$6,375,000 1999 Refunding Bonds due in annual installments of \$30,000 to \$805,000 through May 1, 2018; interest from 3.15% to 4.70%	6,080,000
\$1,995,000 2001 School Building and Site Bonds (non-refunded portion) due in annual installments of \$310,000 to \$360,000 through May 1, 2011; interest from 4.00% to 4.30%	1,045,000
\$6,575,000 2005 Refunding Bonds due in annual installments of \$25,000 to \$750,000 through May 1, 2022; interest from 3.00% to 5.00%	6,495,000
\$3,190,000 2006 Refunding Bonds due in annual installments of \$30,000 to \$775,000 through May 1, 2026; interest from 4.00% to 4.125%	3,190,000



HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 9 - LONG-TERM DEBT - (Continued)**

General obligation bonds consist of:

\$307,985 1998 School Improvement Bond (Durant Settlement) the annual principal and interest payments are to be paid directly by the State of Michigan	<u>126,231</u>
Total general obligation bonded debt	24,916,231
Less: deferred amount on bond refunding	(438,582)
Less: discount on bond refunding	(37,797)
Plus: premium on bond refunding	<u>208,185</u>
Total bonds payable, net	<u>\$ 24,648,037</u>

Notes payable consist of:

Energy Conservation Bonds payable to bank, monthly payments ranging between \$18,301 to \$35,314 through May 23, 2022, including interest at 4.02%	\$ 2,079,765
Land contract payable to real estate company, annual payments of \$20,000 through April 15, 2012, including interest at 4%	<u>65,743</u>
Total notes payable	<u>\$ 2,145,508</u>

Other governmental activity long-term obligations include:

Accumulated severance pay payable monthly through March 25, 2010	<u>\$ 94,904</u>
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**NOTE 10- RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

HASTINGS AREA SCHOOL SYSTEM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 11- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$2,528,242, \$2,687,601, and \$2,395,888.

**Post Employment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.

**REQUIRED SUPPLEMENTAL INFORMATION**

# HASTINGS AREA SCHOOL SYSTEM

## REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 3,119,780	\$ 3,396,469	\$ 3,505,630	\$ 109,161
State sources	19,752,395	20,231,264	20,231,272	8
Federal sources	703,332	787,035	786,035	(1,000)
Interdistrict	<u>461,722</u>	<u>521,030</u>	<u>521,260</u>	<u>230</u>
Total revenues	24,037,229	24,935,798	25,044,197	108,399
Expenditures:				
Instruction	16,260,427	16,751,134	16,719,268	(31,866)
Supporting services	7,525,630	7,620,600	7,649,787	29,187
Community services	39,670	41,323	40,869	(454)
Debt service	<u>295,190</u>	<u>307,491</u>	<u>306,247</u>	<u>(1,244)</u>
Total expenditures	<u>24,120,917</u>	<u>24,720,548</u>	<u>24,716,171</u>	<u>(4,377)</u>
Excess (deficiency) of revenues over expenditures	(83,688)	215,250	328,026	112,776
Other financing sources (uses):				
Operating transfers out	<u>(243,000)</u>	<u>(325,688)</u>	<u>(314,621)</u>	<u>(11,067)</u>
Net change in fund balance	(326,688)	(110,438)	13,405	123,843
Fund balance, July 1	<u>378,462</u>	<u>378,462</u>	<u>378,462</u>	<u>-</u>
Fund balance, June 30	<u>\$ 51,774</u>	<u>\$ 268,024</u>	<u>\$ 391,867</u>	<u>\$ 123,843</u>

## OTHER SUPPLEMENTAL INFORMATION

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF REVENUES  
YEAR ENDED JUNE 30, 2008

REVENUES

Revenues from local sources	
Current property taxes	\$ 3,017,626
Interest on investments	92,812
Tuition and fees	101,415
Rent	61,989
Miscellaneous revenues	<u>231,788</u>
Total revenues from local sources	3,505,630
Revenues from state sources	
Foundation	18,776,335
Declining enrollment	41,551
At Risk	454,264
Early childhood education	108,800
Special education	694,444
Vocational education	123,066
Other	2,014
Durant Settlement	<u>30,798</u>
Total revenues from state sources	20,231,272
Revenues from federal sources	
Title I	348,650
Special education - learning disability	200,500
Title V LEA Allocation	643
Technology literacy	3,277
Improving Teacher Quality	151,658
Drug-Free schools	11,846
Voc. Ed - Career and Tech Prep	24,700
Medicaid outreach	<u>44,761</u>
Total revenues from federal sources	786,035
Revenues from other districts	
Durant settlement	11,722
Other programs	230
Special education - local reimb.	<u>509,308</u>
Total revenues from other districts	<u>521,260</u>
Total revenues	<u>\$ 25,044,197</u>

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES  
YEAR ENDED JUNE 30, 2008

INSTRUCTION

Basic Programs

Pre-school	
Salaries	\$ 43,868
Employee benefits	20,496
Contracted services	3,615
Supplies and materials	8,239
Capital outlay	-
Other	<u>211</u>

Total pre-school instructional expenditures	76,429
---	--------

Elementary

Salaries	3,673,494
Employee benefits	1,838,281
Contracted services	76,959
Supplies and materials	93,721
Capital outlay	-
Other	<u>1,299</u>

Total elementary instruction expenditures	5,683,754
---	-----------

Middle/Junior High

Salaries	2,116,170
Employee benefits	1,107,146
Contracted services	35,697
Supplies and materials	35,325
Capital outlay	-
Other	<u>1,200</u>

Total middle/junior high instruction expenditures	3,295,538
---	-----------

High School

Salaries	2,699,328
Employee benefits	1,430,533
Contracted services	138,772
Supplies and materials	80,215
Capital outlay	8,213
Other	<u>2,578</u>

Total high school instruction expenditures	<u>4,359,639</u>
--	------------------

Total basic programs	13,415,360
----------------------	------------

HASTINGS AREA SCHOOL SYSTEM

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

INSTRUCTION - Continued

Added Needs

Special education

Salaries	1,312,410
Employee benefits	565,088
Purchased services	25,134
Supplies and materials	<u>4,839</u>

Total special education instruction expenditures	1,907,471
---	-----------

Compensatory education

Salaries	549,339
Employee benefits	225,948
Purchased services	38,569
Supplies and materials	4,049
Capital outlay	-
Other	<u>-</u>

Total compensatory education instruction expenditures	817,905
--	---------

Vocational education

Salaries	260,292
Employee benefits	131,375
Purchased services	73,235
Supplies and materials	67,870
Capital outlay	-
Other	<u>2,728</u>

Total vocational education instruction expenditures	<u>535,500</u>
--	----------------

Total added needs	3,260,876
-------------------	-----------

Adult/Continuing Education

Salaries	33,260
Employee benefits	9,330
Purchased services	375
Supplies and materials	-
Capital outlay	-
Other	<u>67</u>

Total adult/continuing education expenditures	<u>43,032</u>
--	---------------

Total instruction expenditures	16,719,268
--------------------------------	------------



# HASTINGS AREA SCHOOL SYSTEM

## OTHER SUPPLEMENTAL INFORMATION GENERAL FUND

### STATEMENT OF OPERATING EXPENDITURES - Continued YEAR ENDED JUNE 30, 2008

#### SUPPORTING SERVICES

##### Pupil Services

##### Guidance services

Salaries	248,015
Employee benefits	141,633
Supplies	<u>2,459</u>

Total guidance services 392,107

##### Other pupil services

Salaries	38,550
Employee benefits	10,410
Contracted services	<u>3,762</u>

Total other pupil services 52,722

Total pupil services 444,829

##### Instructional Staff Services

##### Supervision and direction

Salaries	90,379
Employee benefits	48,503
Contracted services	18,311
Supplies	<u>750</u>

Total supervision and direction 157,943

##### Library

Salaries	266,965
Employee benefits	134,561
Supplies and materials	7,406
Other	<u>12,751</u>

Total library expenditures 421,683

Total instructional staff services 579,626

##### General Administrative Services

##### Board of education

Contracted services	59,412
Other	<u>14,064</u>

Total board of education expenditures 73,476

# HASTINGS AREA SCHOOL SYSTEM

## OTHER SUPPLEMENTAL INFORMATION GENERAL FUND

### STATEMENT OF OPERATING EXPENDITURES - Continued YEAR ENDED JUNE 30, 2008

#### SUPPORTING SERVICES - Continued

##### Executive administration

Salaries	112,107
Employee benefits	46,621
Contracted services	4,361
Other	<u>4,307</u>

Total executive administration expenditures	<u>167,396</u>
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Total general administrative services	240,872
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##### School Administrative Services

###### Office of the Principal

Salaries	1,123,961
Employee benefits	648,890
Contracted services	260
Supplies and material	44,904
Capital outlay	<u>-</u>

Total school administrative expenditures	1,818,015
--	-----------

##### Business Services

###### Fiscal charges

Salaries	195,383
Employee benefits	162,676
Contracted services	12,333
Supplies and materials	13,266
Capital outlay	-
Other	<u>72,709</u>

Total business services expenditures	456,367
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##### Operation and Maintenance

###### Operation and maintenance of plant

Salaries	1,014,536
Employee benefits	708,023
Contracted services	321,451
Supplies and materials	792,200
Capital outlay	2,750
Other	<u>422</u>

Total operation and maintenance expenditures	2,839,382
---	-----------

HASTINGS AREA SCHOOL SYSTEM

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Pupil Transportation

Pupil transportation services

Salaries	375,890
Employee benefits	222,861
Contracted services	64,108
Supplies and materials	198,405
Capital outlay	467
Other	<u>286</u>

Total pupil transportation services 862,017

Technical coordination

Salaries	89,791
Employee benefits	46,077
Contracted services	163,329
Supplies	112
Capital outlay	94,034
Other	<u>15,336</u>

Total technical coordination 408,679

Total supporting services expenditures 7,649,787

COMMUNITY SERVICES

Driver education

Salaries	26,271
Employee benefits	6,451
Contracted services	8,125
Supplies	<u>22</u>

Total community services 40,869

DEBT SERVICE

Principal repayment	34,594
Interest and fiscal charges	<u>271,653</u>

Total debt service 306,247

TOTAL OPERATING EXPENDITURES \$ 24,716,171

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Center</u>	<u>Total</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 153,680	\$ 1,650	\$ 5,381	\$ 160,711
Accounts receivable	851	220	2,596	3,667
Due from other funds	18,167	6,102	27,500	51,769
Inventory	<u>20,696</u>	<u>-</u>	<u>-</u>	<u>20,696</u>
Total assets	<u>\$ 193,394</u>	<u>\$ 7,972</u>	<u>\$ 35,477</u>	<u>\$ 236,843</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 24,176	\$ 7,972	\$ 25,787	\$ 57,935
Due to other funds	-	-	-	-
Deferred Revenue	<u>-</u>	<u>-</u>	<u>5,720</u>	<u>5,720</u>
Total liabilities	24,176	7,972	31,507	63,655
Fund balances:				
Reserved for inventory	20,696	-	-	20,696
Unreserved:				
Undesignated	<u>148,522</u>	<u>-</u>	<u>3,970</u>	<u>152,492</u>
Total fund balances	<u>169,218</u>	<u>-</u>	<u>3,970</u>	<u>173,188</u>
Total liabilities and fund balances	<u>\$ 193,394</u>	<u>\$ 7,972</u>	<u>\$ 35,477</u>	<u>\$ 236,843</u>

HASTINGS AREA SCHOOL SYSTEM

OTHER SUPPLEMENTAL INFORMATION  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>			
	<u>Food Services</u>	<u>Athletics</u>	<u>Community Center</u>	<u>Total</u>
Revenues:				
Local sources	\$ 437,371	\$ 147,563	\$ 480,954	\$ 1,065,888
State sources	36,494	-	-	36,494
Federal sources	<u>445,898</u>	<u>-</u>	<u>-</u>	<u>445,898</u>
Total revenues	919,763	147,563	480,954	1,548,280
Expenditures:				
Food services	935,598	-	-	935,598
Athletics	-	390,659	-	390,659
Community services	<u>-</u>	<u>-</u>	<u>552,918</u>	<u>552,918</u>
Total expenditures	<u>935,598</u>	<u>390,659</u>	<u>552,918</u>	<u>1,879,175</u>
Excess (deficiency) of revenues over expenditures	(15,835)	(243,096)	(71,964)	(330,895)
Other financing sources:				
Operating transfers in	<u>-</u>	<u>243,096</u>	<u>71,525</u>	<u>314,621</u>
Net change in fund balances	(15,835)	-	(439)	(16,274)
Fund balances, July 1	<u>185,053</u>	<u>-</u>	<u>4,409</u>	<u>189,462</u>
Fund balances, June 30	<u>\$ 169,218</u>	<u>\$ -</u>	<u>\$ 3,970</u>	<u>\$ 173,188</u>

# HASTINGS AREA SCHOOL SYSTEM

## OTHER SUPPLEMENTAL INFORMATION FOOD SERVICE FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 437,884	\$ 437,371	\$ (513)
State sources	36,000	36,494	494
Federal sources	<u>438,953</u>	<u>445,898</u>	<u>6,945</u>
Total revenues	912,837	919,763	6,926
Expenditures:			
Salaries	306,852	309,838	2,986
Employee benefits	124,623	125,836	1,213
Purchased services	22,164	22,164	-
Supplies, material and other	464,221	460,832	(3,389)
Capital outlay	<u>16,928</u>	<u>16,928</u>	<u>-</u>
Total expenditures	<u>934,788</u>	<u>935,598</u>	<u>810</u>
Net change in fund balance	(21,951)	(15,835)	6,116
Fund balance - July 1	<u>185,053</u>	<u>185,053</u>	<u>-</u>
Fund balance - June 30	<u>\$ 163,102</u>	<u>\$ 169,218</u>	<u>\$ 6,116</u>

HASTINGS AREA SCHOOL SYSTEM

OTHER SUPPLEMENTAL INFORMATION  
ATHLETIC FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 138,909	\$ 147,563	\$ 8,654
Expenditures:			
Salaries	215,979	217,182	1,203
Employee benefits	29,873	30,039	166
Purchased services	81,636	84,579	2,943
Supplies, material and other	47,945	49,583	1,638
Capital outlay	<u>9,276</u>	<u>9,276</u>	<u>-</u>
Total expenditures	<u>384,709</u>	<u>390,659</u>	<u>5,950</u>
Excess (deficiency) of revenues over expenditures	(245,800)	(243,096)	2,704
Other financing sources:			
Operating transfers in	<u>245,800</u>	<u>243,096</u>	<u>(2,704)</u>
Net change in fund balance	-	-	-
Fund balance - July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - June 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# HASTINGS AREA SCHOOL SYSTEM

## OTHER SUPPLEMENTAL INFORMATION COMMUNITY CENTER FUND

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 477,608	\$ 480,954	\$ 3,346
Expenditures:			
Salaries	401,595	397,635	(3,960)
Employee benefits	114,709	113,577	(1,132)
Purchased services	7,525	7,315	(210)
Supplies, material and other	33,984	32,708	(1,276)
Capital outlay	<u>1,683</u>	<u>1,683</u>	<u>-</u>
Total expenditures	<u>559,496</u>	<u>552,918</u>	<u>(6,578)</u>
Excess (deficiency) of revenues over expenditures	(81,888)	(71,964)	9,924
Other financing sources:			
Operating transfers in	<u>79,888</u>	<u>71,525</u>	<u>(8,363)</u>
Net change in fund balance	(2,000)	(439)	1,561
Fund balance - July 1	<u>4,409</u>	<u>4,409</u>	<u>-</u>
Fund balance - June 30	<u>\$ 2,409</u>	<u>\$ 3,970</u>	<u>\$ 1,561</u>



HASTINGS AREA SCHOOL SYSTEM

OTHER SUPPLEMENTAL INFORMATION  
AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2008

	Balances			Balances	
	<u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>	
<u>ASSETS</u>					
Cash and cash equivalents	\$ 242,657	\$ 513,649	\$ 463,639	\$ 292,667	
Investments	508,770	117,969	23,162	603,577	
Accounts receivable	<u>14,751</u>	<u>6,495</u>	<u>14,751</u>	<u>6,495</u>	
Total assets	<u>\$ 766,178</u>	<u>\$ 638,113</u>	<u>\$ 501,552</u>	<u>\$ 902,739</u>	
<u>LIABILITIES</u>					
Due to school related organizations	<u>\$ 766,178</u>	<u>\$ 638,113</u>	<u>\$ 501,552</u>	<u>\$ 902,739</u>	

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2004 SCHOOL REFUNDING BONDS \$ 4,020,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.00	\$ 36,350	\$ 465,000	\$ 501,350
2010	<u>4.00</u>	<u>22,400</u>	<u>560,000</u>	<u>582,400</u>
Total		<u>\$ 58,750</u>	<u>\$ 1,025,000</u>	<u>\$ 1,083,750</u>

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable annually on May 1.

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

1998 REFUNDING BONDS

\$ 7,340,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.200	\$ 306,350	\$ 640,000	\$ 946,350
2010	4.200	279,470	600,000	879,470
2011	4.300	254,270	625,000	879,270
2012	4.350	227,396	650,000	877,396
2013	4.400	199,120	680,000	879,120
2014	4.500	169,200	710,000	879,200
2015	4.500	137,250	735,000	872,250
2016	4.500	104,176	770,000	874,176
2017	4.500	69,526	775,000	844,526
2018	4.500	<u>34,650</u>	<u>770,000</u>	<u>804,650</u>

Total    \$ 1,781,408    \$ 6,955,000    \$ 8,736,408

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable annually on May 1. Callable maturities year 2010 through 2018 on May 1, 2009 @ 100% of par.

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

1999 REFUNDING BONDS

\$ 6,375,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.150	\$ 274,298	\$ 40,000	\$ 314,298
2010	4.200	272,638	40,000	312,638
2011	4.300	270,958	655,000	925,958
2012	4.350	242,792	685,000	927,792
2013	4.400	212,996	715,000	927,996
2014	4.500	181,536	750,000	931,536
2015	4.550	147,786	785,000	932,786
2016	4.600	112,068	800,000	912,068
2017	4.650	75,268	805,000	880,268
2018	4.700	<u>37,836</u>	<u>805,000</u>	<u>842,836</u>

Total    \$ 1,828,176    \$ 6,080,000    \$ 7,908,176

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable annually on May 1. Callable maturities year 2010 through 2018 on May 1, 2009 @ 100% of par.

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2001 SCHOOL BUILDING AND SITE BONDS  
(NON-REFUNDED PORTION) \$ 1,995,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.125	\$ 44,174	\$ 335,000	\$ 379,174
2010	4.250	30,356	350,000	380,356
2011	4.300	<u>15,480</u>	<u>360,000</u>	<u>375,480</u>
Total		<u>\$ 90,010</u>	<u>\$ 1,045,000</u>	<u>\$ 1,135,010</u>

Interest on the bonds of the above issue are payable semi-annually on November 1, and May 1. Principal is payable annually on May 1.

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2005 REFUNDING BONDS

\$ 6,575,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	3.50	\$ 279,776	\$ 30,000	\$ 309,776
2010	3.50	278,726	30,000	308,726
2011	4.00	277,676	30,000	307,676
2012	5.00	276,476	405,000	681,476
2013	5.00	256,226	420,000	676,226
2014	5.00	235,226	430,000	665,226
2015	5.00	213,726	455,000	668,726
2016	4.00	190,976	490,000	680,976
2017	4.00	171,376	565,000	736,376
2018	4.00	148,776	655,000	803,776
2019	4.00	122,576	745,000	867,576
2020	4.10	92,776	745,000	837,776
2021	4.125	62,232	745,000	807,232
2022	4.20	<u>31,500</u>	<u>750,000</u>	<u>781,500</u>
Total		<u>\$ 2,638,044</u>	<u>\$ 6,495,000</u>	<u>\$ 9,133,044</u>

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable annually on May 1.

HASTINGS AREA SCHOOL SYSTEM  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
YEAR ENDED JUNE 30, 2008

2006 REFUNDING BONDS

\$ 3,190,000

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.000	\$ 129,512	\$ -	\$ 129,512
2010	4.000	129,512	-	129,512
2011	4.000	129,512	-	129,512
2012	4.000	129,512	-	129,512
2013	4.000	129,512	-	129,512
2014	4.000	129,512	-	129,512
2015	4.000	129,512	-	129,512
2016	4.000	129,512	-	129,512
2017	4.000	129,512	-	129,512
2018	4.000	129,512	-	129,512
2019	4.000	129,512	30,000	159,512
2020	4.000	128,312	30,000	158,512
2021	4.000	127,112	30,000	157,512
2022	4.000	125,912	30,000	155,512
2023	4.000	124,712	775,000	899,712
2024	4.000	93,712	765,000	858,712
2025	4.125	63,112	755,000	818,112
2026	4.125	<u>31,968</u>	<u>775,000</u>	<u>806,968</u>

Total    \$ 2,119,472   \$ 3,190,000   \$ 5,309,472

Interest on the bonds of the above issue is payable semi-annually on November 1, and May 1. Principal is payable annually on May 1.

1998 SCHOOL IMPROVEMENT BONDS	\$	307,985
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<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.76	15,765	49,115	64,880
2010	4.76	3,672	17,956	21,628
2011	4.76	2,817	18,811	21,628
2012	4.76	1,921	19,705	21,626
2013	4.76	<u>983</u>	<u>20,644</u>	<u>21,627</u>
Total		<u>\$ 25,158</u>	<u>\$ 126,231</u>	<u>\$ 151,389</u>

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HASTINGS AREA SCHOOL SYSTEM

OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
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U.S. Department of Education

Passed Through State Department  
of Education:

Title I - Educationally Deprived	84.010	0715300607 0815300708	\$ 317,645 348,650
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Title V LEA Allocation	84.298	0802500708	643
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Technology Literacy	84.318	0742900607 0842900708	3,261 3,277
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Improving Teacher Quality	84.367	0705200607 0805200708	149,926 151,658
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Passed Through Intermediate  
School District:

Voc. Ed - Career and Tech Prep	84.048		
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P.L. 101-476 IDEA Emotionally Impaired	84.027	IDEA/07-08	
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Drug-Free Schools	84.186		
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TOTAL DEPARTMENT OF EDUCATION

(continued on next page)

Accrued (Deferred) Revenue <u>July 1, 2007</u>	(Memo only) Prior Year <u>Expenditures</u>	<u>Expenditures</u>	<u>Receipts</u>	Accrued (Deferred) Revenue <u>June 30, 2008</u>
\$ 68,379	\$ 317,645	\$ -	\$ 68,379	\$ -
<u>-</u>		<u>348,650</u>	<u>287,134</u>	<u>61,516</u>
68,379		348,650	355,513	61,516
-		643	643	-
261	3,261	-	261	-
<u>-</u>		<u>3,277</u>	<u>3,277</u>	<u>-</u>
261		3,277	3,538	-
33,836	149,926	-	33,836	-
<u>-</u>		<u>151,658</u>	<u>151,658</u>	<u>-</u>
33,836		151,658	185,494	-
102,476		504,228	545,188	61,516
-		24,700	24,700	-
-		200,500	200,500	-
<u>-</u>		<u>11,846</u>	<u>11,846</u>	<u>-</u>
102,476		741,274	782,234	61,516

# HASTINGS AREA SCHOOL SYSTEM

## OTHER SUPPLEMENTAL INFORMATION SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued YEAR ENDED JUNE 30, 2008

<u>Federal Grantor/Pass-Through Grantor/ Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
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### U.S. DEPARTMENT OF AGRICULTURE

#### Nutrition Cluster

Passed Through State Department  
of Education:

National School Lunch Program	10.555	07-08 06-07	284,562 307,690
National School Lunch Breakfast	10.553	07-08 06-07	64,766 67,499
Food Distribution			
Entitlement Commodities	10.550	07-08	55,467
Bonus Commodities		07-08	-

TOTAL DEPARTMENT OF AGRICULTURE

### U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Passed Through Intermediate  
School District:

Medicaid Outreach	93.778
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TOTAL FEDERAL FINANCIAL ASSISTANCE

#### Notes:

- 1.\*Designates Major Program.
2. Dollar threshold used to distinguish between Type A and Type B programs - \$300,000.
3. Expenditures in this schedule are in agreement with amounts reported in the financial statements.
4. The amounts reported on the R7120 reconcile with this schedule.
5. This schedule has been prepared under the modified accrual basis of accounting

Accrued (Deferred) Revenue July 1, 2007	(Memo only) Prior Year Expenditures	Expenditures	Receipts	Accrued (Deferred) Revenue June 30, 2008
-		284,562	284,562	-
-	272,484	35,206	35,206	-
-		* 319,768	319,768	-
-		64,766	64,766	-
-	61,602	5,897	5,897	-
-		* 70,663	70,663	-
-		55,467	55,467	-
-		-	-	-
-		55,467	55,467	-
-		445,898	445,898	-
-		44,761	44,761	-
<u>\$ 102,476</u>		<u>\$ 1,231,933</u>	<u>\$1,272,893</u>	<u>\$ 61,516</u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT FINANCIAL  
STATEMENTS PERFORMED IN OF ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
Hastings Area School System, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hastings Area School System as of and for the year ended June 30, 2008, which collectively comprise Hastings Area School System basic financial statements and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered Hastings Area School System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Hastings Area School System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hastings Area School System's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce B. A. Gosling, CPA

Michael A. Wilson, CPA

Reid L. Strawser, CPA

John T. Norman (1941-1983)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether Hastings Area School System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman E. Paulsen, P.C.*

October 29, 2008





Norman & Paulsen, P.C.

*Certified Public Accountants*

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education  
Hastings Area School System, Michigan

Compliance - We have audited the compliance of Hastings Area School System with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Hastings Area School System's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hastings Area School System's management. Our responsibility is to express an opinion on Hastings Area School System's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local governments, and Non-Profit Organizations. Those standards and OMB circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hastings Area School System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Hastings Area School System's compliance with those requirements.

In our opinion, Hastings Area School System complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Donald L. Paulsen, CPA  
Patrick J. Monahan, CPA  
Bruce S. A. Gosling, CPA  
Michael R. Wilson, CPA  
Rick L. Sitawski, CPA  
Jerril T. Norman (1941-1982)

Internal Control over Compliance - The management of Hastings Area School System is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Hastings Area School System internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Hastings Area School System's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Norman & Paulsen, P.C.*

October 29, 2008



HASTINGS AREA SCHOOL SYSTEM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2008

1. Summary of auditor's results:

- (I) An unqualified opinion was issued on the financial statements.
- (ii) No material weakness or significant deficiency in internal control were disclosed by the audit of the financial statements.
- (iii) The audit disclosed no noncompliance.
- (iv) No material weakness or significant deficiency in internal control over major programs were disclosed by the audit.
- (v) An unqualified opinion was issued on Compliance for major programs.
- (vi) No audit findings were disclosed.
- (vii) Major programs: U.S. Department of Agriculture

Child Nutrition Cluster:

10.553 School Breakfast Program

10.555 National School Lunch Program

- (viii) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
- (ix) Hastings Area School System qualified as a low-risk auditee.

2. Findings relating to the financial statements which are required to be reported in accordance with GAGAS.

NONE

3. Findings and questioned costs for Federal awards.

NONE

4. Prior year findings:

NONE



## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
Hastings Area Schools

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We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hastings Area Schools (the "School District") for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

## Internal Controls

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

We consider the following deficiencies to be a *material weakness* in internal controls:

*None Noted*

We consider the following deficiencies to be significant deficiencies in internal control:

*None Noted*

## Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2008.

## Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hastings Area Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Hastings Area Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.



Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

#### *Depreciation*

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

#### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2008.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hastings Area Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Education and management of Hastings Area Schools and is not intended to be and should not be used by anyone other than these specified parties.

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

*Norman S. Paulson, P.C.*

October 29, 2008